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Livestock and Products

Meat and Poultry Prices Update

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Approved by:

Kimberly Svec

American Embassy, Moscow

Prepared by:

Erik Hansen and Mikhail Maksimenko

Report Highlights:

Beef and pork prices in Russia continue to rise while poultry prices remain stable. The Federal Veterinary and Phytosanitary Surveillance Service (VPSS) recently prohibited imports of pork and beef from major exporting countries due to animal disease outbreaks and accusations of out of control smuggling and falsification of veterinary certificates. As a result, meat supplies are expected to drop, raising meat prices even further. The Ministry of Agriculture is looking to control food prices in the fight against inflation.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
[RS]

After a long decline, domestic meat production in Russia is recovering although at a very slow pace. A big portion of meat and poultry supplies continues to come from overseas, which makes Russia very vulnerable to trade disruptions and global meat prices.

A significant increase in poultry and meat prices occurred in the second half of 2003. The cause – the introduction by the Russian government of a new poultry quota limiting imports. In that year, Russia introduced a new tariff rate quota on beef and pork products as well. Another significant increase in poultry prices took place in 2003/04 when avian influenza outbreaks in Asia lowered world supplies.

The following factors are currently affecting meat and poultry supplies and prices in Russia:

- In the summer of 2005, avian influenza outbreaks in Siberia caused consumers to question the safety of Russian poultry products. As a result, demand and prices of domestic poultry products decreased substantially while demand and prices of imported poultry products increased.
- In November 2005, the Russian government banned beef and beef offals, pork and pork offals, poultry and ground poultry meat, and all raw, semi-processed meat products originating from Poland due to claims of rampant smuggling and out of control falsification of veterinary documentation.
- In December 2005, Russia banned imports of Brazilian livestock and poultry products due to outbreaks of foot and mouth disease (FMD).
- In early January 2006, VPSS prohibited imports of semi-ready meat products from Ukraine after accusing Ukraine of exporting meat of unknown origin and of questionable quality. Shortly afterwards, the Russian government banned imports of all livestock products from Ukraine.
- In Feb 2006, VPSS introduced a ban on imports of meat products from Argentina's Corrientes province in connection with an FMD outbreak there. Afterwards, Argentina suspended all beef exports in order to prevent soaring international demand from pushing local beef prices beyond the purchasing power of Argentine families.
- In March 2006, VPSS introduced a ban on imports of live pigs, pork, raw pork products and ready-to-eat pork products from North Rhine-Westphalia, Germany due to an outbreak of classical swine fever.

The events listed above have caused a drop in meat imports, which in turn, has lead to an increase in beef and pork prices. According to data from the Institute of Agrarian Market Research (IKAR), year-on-year basis prices of domestic beef and pork grew by four and seven percent respectively and by six and twelve percent for imported beef and pork.

Outbreaks of avian influenza in a number of Russia's southern regions towards the end of 2005 and in early 2006 have led to a significant drop in demand for poultry meat in the infected regions. However, according to market analysts, poultry consumption patterns did not change significantly in the big cities located far away from the infected regions. Big cities across Russia are supplied mostly by modern poultry facilities owned by well-known brands. Other analysts claim that on average, demand for poultry in Russia has decreased by 10-15 percent during the last three months alone. If this trend continues, a reduction in domestic poultry production would be inevitable.

In February 2006, prices of frozen carcasses dropped by 20 percent compared to the previous year. At the same time, domestic boneless chicken breast prices grew by 12 percent and frozen chicken leg quarters prices grew by 2 percent. The price of imported whole birds decreased by 10 percent and frozen boneless chicken breasts prices grew by 15 percent. Prices on imported chicken leg quarters decreased most dramatically – by 23 percent in February 2006 in comparison to the year before.

Meat supplies and prices in Russia during the next several months are difficult to predict. A lot will depend on how long Russia enforces its ban on meat imports from major exporting countries. With the arrival of the spring, scientists expect migrating birds to bring avian influenza back to Russian territory, which could raise fears among the local population and thus, lead to a drop in demand for poultry products. In the meantime, Russia is looking to import meat products from other countries. A team of Russian veterinarians is now inspecting Columbia's food safety system of livestock-origin products. The Colombian Minister of Agriculture recently stated that his country hopes to sell Russia \$100 million of meat products annually beginning in 2007. Side note: Columbia is one of only a handful of countries that has not yet closed bilateral discussions with Russia as the country moves towards acceding to the World Trade Organization.

Ministry of Agriculture Wants to Regulate Food Prices

The Russian government recently convened to discuss possible measures to battle growing inflation. In that meeting, Minister of Agriculture Alexey Gordeyev proposed that his ministry be given more power to control and regulate food prices and thus, help fight inflation. Minister Gordeyev offered to develop a monitoring system that would have to be written into the statute on the ministry. In addition, he stated that the current relationship between agricultural producers, wholesalers and retailers needs to be investigated and reformed in order to stop frequent price hikes and price fixing.

. Moscow Wholesale Poultry Meat Prices, April 2003 – February 2006

Date	Exch. Rate, RU/\$	Domestic chicken			Imported chicken		
		Frozen carcasses	Frozen breast, boneless	Frozen leg quarters	Frozen carcasses	Frozen breast, boneless	Frozen leg Quarters
04/30/2003	31.10	41.77	55.67	44.50	41.90	56.38	34.42
06/30/2003	30.35	49.07	59.32	49.50	48.27	73.08	39.77
09/30/2003	30.61	59.96	108.00	61.09	58.58	107.77	45.45
12/30/2003	29.25	56.02	93.33	60.63	55.65	88.32	45.39
03/31/2004	28.49	54.07	84.50	52.50	52.51	80.30	44.96
06/30/2004	29.03	52.80	82.50	50.32	45.94	84.45	42.94
09/30/2004	29.22	49.62	90.25	47.82	44.20	89.77	43.76
12/29/2004	27.78	50.17	90.08	52.24	49.34	89.98	42.28
03/30/2005	27.83	61.42	85.00	56.10	63.17	87.33	54.66
06/30/2005	28.67	69.35	93.00	67.13	68.56	93.75	56.60
09/30/2005	28.50	65.19	98.00	63.07	66.64	107.38	60.14
10/30/2005	28.42	62.90	96.75	65.52	62.76	103.17	55.67
11/30/2005	28.73	59.97	96.50	58.91	60.81	98.60	51.08
12/30/2005	28.75	53.64	95.00	57.50	56.27	97.08	48.93
01/30/2006	28.02	52.90	94.92	54.57	60.86	98.21	46.08
02/28/2006	28.16	49.39	94.82	57.00	57.29	100.51	42.88

Source: Institute of Agrarian Market Research (IKAR)

Prices are in rubles per kilogram.

Table 1: Russian Wholesale Prices (Offer Prices), Half Carcasses, April 2003 – February 2006

Date	Exchange rate, ruble/\$	Domestic beef	Imported beef	Domestic pork	Imported pork
04/30/2003	31.10	48.00	46.35	40.25	44.62
06/30/2003	30.34	47.00	49.45	42.51	49.00
09/30/2003	30.61	58.00	52.75	51.33	61.60
12/30/2003	29.25	51.00	54.96	52.50	53.89
03/30/2004	28.49	66.00	67.05	55.17	55.05
06/30/2004	29.03	64.50	65.99	64.33	76.05
09/30/2004	29.22	66.75	70.50	87.50	86.86
12/29/2004	27.78	72.00	81.17	83.50	84.12
03/30/2005	27.83	85.00	83.15	79.50	81.53
06/30/2005	28.67	82.02	81.28	76.67	78.24
09/30/2005	28.50	83.33	85.37	82.00	85.76
10/30/2005	28.42	84.10	85.87	84.50	84.76
11/30/2005	28.73	82.92	85.88	81.50	84.41
12/30/2005	28.75	81.00	85.41	85.00	88.10
01/30/2006	28.02	89.38	88.17	89.00	89.33
02/28/2006	28.12	88.60	88.56	85.14	92.01

Source: Institute of Agrarian Market Research (IKAR)

Prices are in rubles per kilogram.